

House File 2742 - Reprinted

HOUSE FILE _____
BY COMMITTEE ON JUDICIARY

(SUCCESSOR TO HSB 720)

Passed House, Date _____ Passed Senate, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to the probate and trust codes and providing
2 applicability date provisions.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:
4 HF 2742
5 rh/es/25

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1 1 Section 1. Section 249A.3, subsection 11, paragraph d,
1 2 Code Supplement 2005, is amended to read as follows:
1 3 d. ~~Failure Unless a surviving spouse is precluded from~~
1 4 ~~making an election under the terms of a premarital agreement,~~
1 5 ~~the failure~~ of a surviving spouse to take an elective share
1 6 pursuant to chapter 633, division V, constitutes a transfer of
1 7 assets for the purpose of determining eligibility for medical
1 8 assistance to the extent that the value received by taking an
1 9 elective share would have exceeded the value of the
1 10 inheritance received under the will.
1 11 Sec. 2. Section 556.18, subsection 1, Code 2005, is
1 12 amended to read as follows:
1 13 1. Except as provided in subsection 3, all funds received
1 14 under this chapter, including the proceeds from the sale of
1 15 abandoned property under section 556.17, shall be deposited
1 16 quarterly by the treasurer of state in the general fund of the
1 17 state. However, the treasurer of state shall retain in a
1 18 separate trust fund a sufficient amount from which the
1 19 treasurer of state shall make prompt payment of claims duly
1 20 allowed under section 556.20. Before making the deposit, the
1 21 treasurer of state shall record the name and last known
1 22 address of each person appearing from the holders' reports to
1 23 be entitled to the abandoned property and the name and last
1 24 known address of each insured person or annuitant, and with
1 25 respect to each policy or contract listed in the report of a
1 26 life insurance corporation, its number, the name of the
1 27 corporation, and the amount due. The record shall be
1 28 available for public inspection at all reasonable business
1 29 hours. The treasurer of state shall provide the names and
1 30 social security numbers of persons entitled to abandoned
1 31 property pursuant to this chapter to the department of human
1 32 services for purposes of determining the persons' eligibility
1 33 for medical assistance pursuant to section 249A.3 or for the
1 34 reimbursement of funds pursuant to section 249A.5, but such
1 35 records shall be considered confidential.
2 1 Sec. 3. Section 556.19, Code 2005, is amended to read as
2 2 follows:
2 3 556.19 CLAIM FOR ABANDONED PROPERTY PAID OR DELIVERED.
2 4 Any person claiming an interest in any property delivered
2 5 to the state under this chapter may file a claim thereto or to
2 6 the proceeds from the sale thereof on the form prescribed by
2 7 the state treasurer. For purposes of this section, "person"
2 8 includes the department of human services entitled to money or
2 9 property of a decedent pursuant to section 249A.5.
2 10 Sec. 4. Section 633.246A, Code Supplement 2005, is amended
2 11 to read as follows:
2 12 633.246A MEDICAL ASSISTANCE ELIGIBILITY.
2 13 ~~Failure Unless precluded from doing so under the terms of a~~
2 14 ~~premarital agreement, the failure~~ of a surviving spouse to
2 15 make an election under this division constitutes a transfer of
2 16 assets for the purpose of determining eligibility for medical
2 17 assistance pursuant to chapter 249A to the extent that the
2 18 value received by making the election would have exceeded the

2 19 value of property received absent the election.

2 20 Sec. 5. Section 633.356, subsection 8, paragraph b, Code
2 21 2005, is amended to read as follows:

2 22 b. When the department of human services is entitled to
2 23 money or property of a decedent pursuant to section 249A.5,
2 24 subsection 2, and no affidavit has been presented by a
2 25 successor of the decedent as defined in subsection 2, within
2 26 ninety days of the date of the decedent's death, the funds in
2 27 the account, up to the amount of the claim of the department,
2 28 shall be paid to the department upon presentation by the
2 29 department or an entity designated by the department of an
2 30 affidavit to the holder of the decedent's property. Such
2 31 affidavit shall include the information specified in
2 32 subsection 3, except that the department may submit proof of
2 33 payment of funeral expenses as verification of the decedent's
2 34 death instead of a certified copy of the decedent's death
2 35 certificate. The amount of the department's claim shall also
3 1 be included in the affidavit, which shall entitle the
3 2 department to receive the funds as a successor of the
3 3 decedent. The department shall issue a refund within sixty
3 4 days to any claimant with a superior priority pursuant to
3 5 section 633.425, if notice of such claim is given to the
3 6 department, or to the entity designated by the department to
3 7 receive notice, within one year of the department's receipt of
3 8 funds. This paragraph shall apply to property of the decedent
3 9 transferred to the custody of the treasurer of state as
3 10 unclaimed property pursuant to chapter 556.

3 11 Sec. 6. Section 633A.3102, subsection 6, Code Supplement
3 12 2005, is amended by striking the subsection.

3 13 Sec. 7. Section 633A.3103, Code Supplement 2005, is
3 14 amended to read as follows:

3 15 633A.3103 OTHER RIGHTS OF SETTLOR.

3 16 Except to the extent the terms of the trust otherwise
3 17 provide, while a trust is revocable ~~and the individual holding~~
3 18 ~~the power to revoke the trust is competent~~, all of the
3 19 following apply unless the trustee actually knows that the
3 20 individual holding the power to revoke the trust is not
3 21 competent:

3 22 1. The holder of the power, and not the beneficiary, has
3 23 the rights afforded beneficiaries.

3 24 2. The duties of the trustee are owed to the holder of the
3 25 power.

3 26 3. The trustee shall follow a written direction given by
3 27 the holder of the power, or a person to whom the power has
3 28 been delegated in writing, without liability for so doing, so
3 29 long as the action by the delegate is authorized by the trust
3 30 unless the trustee actually knows that the direction violates
3 31 the terms of the trust.

3 32 Sec. 8. Section 633A.3104, Code Supplement 2005, is
3 33 amended to read as follows:

3 34 633A.3104 ~~CREDITOR CLAIMS~~ CLAIMS AGAINST REVOCABLE TRUST.

3 35 1. During the lifetime of the settlor, the trust property
4 1 of a revocable trust is subject to the ~~claims~~ debts of the
4 2 ~~settlor's creditors~~ settlor to the extent of the settlor's
4 3 power of revocation.

4 4 2. Following the death of a settlor, the property of a
4 5 revocable trust ~~subject to the settlor's power of revocation~~
4 6 ~~at the time of death~~ is subject to the ~~claims~~ debts of the
4 7 ~~settlor's creditors~~ settlor and ~~costs of administration~~
4 8 charges of the settlor's estate to the extent of the value of
4 9 the property over which the settlor had a power of revocation,
4 10 if the settlor's estate is inadequate to satisfy those ~~claims~~
4 11 debts and ~~costs~~ charges.

4 12 3. If a revocable trust becomes subject to the debts of a
4 13 settlor and the charges of the settlor's estate pursuant to
4 14 this section, following the payment of the proper costs of
4 15 administration of the trust and any claims against the trust,
4 16 the debts and charges of the settlor's estate payable by the
4 17 trust shall be classified pursuant to sections 633.425 and
4 18 633.426 as such sections exist on the date of the settlor's
4 19 death and paid in the order listed therein to the extent the
4 20 settlor's estate is inadequate to satisfy the listed debts and
4 21 charges.

4 22 Sec. 9. Section 633A.3105, subsection 2, Code Supplement
4 23 2005, is amended to read as follows:

4 24 2. Property in trust subject to a presently exercisable
4 25 general power of appointment is chargeable with the ~~claims~~
4 26 debts of the ~~holder's creditors~~ holder and ~~costs of~~
4 27 ~~administration~~ charges of the holder's estate to the same
4 28 extent as if the holder was a settlor and the power of
4 29 appointment was a power of revocation.

4 30 Sec. 10. Section 633A.3109, Code Supplement 2005, is
4 31 amended to read as follows:

4 32 633A.3109 NOTICE TO CREDITORS, CLAIMANTS, HEIRS, SPOUSE,
4 33 AND BENEFICIARIES.

4 34 1. As used in this section, "heir" means only such person
4 35 ~~as~~ who would, in an intestate estate, be entitled to a share
5 1 under section 633.219.

~~5 2 2. A creditor of a deceased settlor of a revocable trust
5 3 must bring suit to enforce its claim against the assets of the
5 4 decedent's trust within one year of the decedent's death or be
5 5 forever barred from collection against the trust assets. If
5 6 the notice provided for in subsection 3 has not been published
5 7 and if a probate administration is commenced for the decedent
5 8 within one year of the decedent's date of death and notice is
5 9 properly given pursuant to section 633.230 or 633.304, a
5 10 creditor's rights shall be determined under those sections and
5 11 section 633A.3104.~~

~~5 12 3. If no notice is given to creditors and heirs pursuant
5 13 to subsection 2, a creditor's rights may Except as provided in
5 14 subsections 2 and 4, the rights of creditors against assets of
5 15 the trust and those of heirs to contest the trust shall be
5 16 established or terminated if by the trustee gives giving
5 17 notice as follows:~~

~~5 18 a. The trustee shall publish a notice once each week for
5 19 two consecutive weeks in a daily or weekly newspaper of
5 20 general circulation published in the county in which the
5 21 decedent was a resident at the time of death, and in any
5 22 county of which the decedent was a nonresident but in which
5 23 some real estate of the trust is located. If the decedent was
5 24 not a resident of Iowa, but the principal place of
5 25 administration is in Iowa, the trustee shall publish notice in
5 26 the county that is the principal place of administration
5 27 pursuant to section 633A.6102.~~

~~5 28 b. If at any time during the pendency of the trust
5 29 administration the trustee has knowledge of the name and
5 30 address of a person believed to own or possess a claim which
5 31 will not, or may not, be paid or otherwise satisfied during
5 32 administration, the trustee shall provide a notice by ordinary
5 33 mail to each such claimant at the claimant's last known
5 34 address. As soon as practicable, the trustee shall give
5 35 notice by ordinary mail to the surviving spouse, the heirs of
6 1 the decedent, and each beneficiary under the trust whose
6 2 identities are reasonably ascertainable, at such person's last
6 3 known address.~~

~~6 4 c. As soon as practicable, the trustee shall give a notice
6 5 by ordinary mail to the surviving spouse, the heirs of the
6 6 decedent, and each beneficiary under the trust whose
6 7 identities are reasonably ascertainable, at such persons' last
6 8 known addresses. If at any time during the pendency of the
6 9 trust administration the trustee has knowledge of the name and
6 10 address of a person believed to own or possess a claim which
6 11 will not, or may not, be paid or otherwise satisfied during
6 12 administration, the trustee shall provide a notice by ordinary
6 13 mail to each such creditor at the creditor's last known
6 14 address stating the decedent settlor's date of death and that
6 15 the claim shall be forever barred unless proof of the
6 16 creditor's claim is mailed to the trustee by certified mail,
6 17 return receipt requested, within the later to occur of sixty
6 18 days from the second publication of notice or thirty days from
6 19 the date of mailing of the notice.~~

~~6 20 d. The notice in paragraphs "a", and "b", and "c" shall
6 21 include notification of the decedent's death, and the fact
6 22 that any action to contest the validity of the trust must be
6 23 brought within the later to occur of sixty days from the date
6 24 of the second publication of the notice made pursuant to
6 25 paragraph "a" or thirty days from the date of mailing of the
6 26 notice pursuant to paragraph "b" or "c" and that any claim
6 27 against the trust assets will be forever barred unless proof
6 28 of a creditor's claim is mailed to the trustee by certified
6 29 mail, return receipt requested, within the later to occur of
6 30 sixty days from the second publication of notice or thirty
6 31 days from the date of mailing of the notice, if required. A
6 32 person who does not make a claim within the appropriate period
6 33 is forever barred.~~

~~6 34 e. The trustee shall give notice to debtors to make
6 35 payment, and to creditors having claims against the trust
7 1 assets to mail proof of their claim to the trustee via
7 2 certified mail, return receipt requested, within the later to
7 3 occur of sixty days from the second publication of the notice
7 4 or thirty days from the date of mailing of the notice, or
7 5 thereafter be forever barred.~~

7 6 4. If notice has not been published or given as provided
7 7 in subsection 2 or 3, a claimant of a deceased settlor of a
7 8 revocable trust must bring suit to enforce its claim against
7 9 the assets of the decedent's trust within one year of the
7 10 decedent's death or be forever barred from collecting against
7 11 the trust assets unless the trustee has failed to comply with
7 12 subsection 3, paragraph "c". The one-year limitation period
7 13 shall not be extended by the commencement of probate
7 14 administration for the settlor more than one year following
7 15 the settlor's death.

7 16 ~~4.~~ 5. The notice described in subsection 3 shall be
7 17 substantially in the following form:

7 18 To all persons regarding, deceased, who died on or
7 19 about, (year) You are hereby notified that ... is
7 20 the trustee of the Trust. At this time, no probate
7 21 administration is contemplated with regard to the above=
7 22 referenced decedent's estate.

7 23 Any action to contest the validity of the trust must be
7 24 brought in the District Court of County, Iowa, within the
7 25 later to occur of sixty days from the date of second
7 26 publication of this notice, or thirty days from the date of
7 27 mailing this notice to all heirs of the decedent, spouse of
7 28 the decedent, and beneficiaries under the trust whose
7 29 identities are reasonably ascertainable. Any ~~claim suit~~ not
7 30 filed within this period shall be forever barred.

7 31 Notice is further given that ~~all persons indebted to the~~
7 32 ~~decedent or to the trust are requested to make immediate~~
7 33 ~~payment to the undersigned trustee. Creditors having claims~~
7 34 ~~any person or entity possessing a claim against the trust must~~
7 35 ~~mail them proof of the claim to the trustee at the address~~
8 1 listed below via certified mail, return receipt requested-
8 2 ~~Unless creditor claims are mailed by the later to occur of~~
8 3 ~~sixty days from the second publication of this notice or~~
8 4 ~~thirty days from the date of mailing this notice, a if~~
8 5 ~~required, or the claim shall be forever barred, unless~~
8 6 ~~otherwise allowed or paid or otherwise satisfied.~~

8 7 Dated this .. day of, (year) ...

8 8 Trust

8 9
8 10 Trustee

8 11 Address:

8 12

8 13 Date of second publication .. day of ...,

8 14 (year) ...

8 15 6. The proof of claim must be in writing stating the
8 16 party's name and address and describing the nature and amount
8 17 of the claim, if ascertainable, and accompanied by an
8 18 affidavit of the party or a representative of the party
8 19 verifying the amount that is due, or when the amount will
8 20 become due, that no payments have been made on the claim that
8 21 are not credited, and that no offsets to the claim exist.

8 22 7. At any time after receipt by the trustee of a proof of
8 23 claim, the trustee may give the party submitting the claim a
8 24 written notice of disallowance of the claim. The notice shall
8 25 be given by certified mail, return receipt requested,
8 26 addressed to the party at the address stated in the claim, and
8 27 to the attorney of record of the party submitting the claim.
8 28 Such notice of disallowance shall advise the party submitting
8 29 the claim that the claim has been disallowed and will be
8 30 forever barred unless suit is filed against the trustee to
8 31 enforce the claim within thirty days of the date of the
8 32 mailing of the notice of disallowance. If suit is filed, the
8 33 provisions in chapter 633 relating to actions to enforce a
8 34 claim shall apply with the trust and trustee substituted for
8 35 the estate and personal representative.

9 1 ~~5.~~ 8. The claimant either must receive satisfaction of
9 2 its claim, or must file suit against the trust to enforce
9 3 collection of the creditor's claim within sixty days of
9 4 mailing its claim to the trustee. The trustee and creditor
9 5 may agree to extend the limitations period for filing an
9 6 action to enforce the claim. If the ~~claimant~~ creditor fails
9 7 to properly file its claim within the established time period
9 8 or bring an action to enforce its claim within the established
9 9 time period, the creditor's claim shall be forever barred.

9 10 Sec. 11. Section 633A.3111, Code Supplement 2005, is
9 11 amended to read as follows:

9 12 633A.3111 TRUSTEE'S LIABILITY FOR DISTRIBUTIONS.

9 13 1. A trustee who distributes trust assets without making
9 14 adequate provisions for the payment of ~~creditor claims~~ debts
9 15 and charges that are known or reasonably ascertainable at the
9 16 time of the distribution shall be jointly and severally liable

9 17 with the beneficiaries to the extent of the distributions
9 18 made.
9 19 2. A trustee shall be entitled to indemnification from the
9 20 beneficiaries for all amounts paid ~~to creditors for debts and~~
9 21 ~~charges~~ under this section, to the extent of distributions
9 22 made.

9 23 Sec. 12. Section 633A.3112, Code Supplement 2005, is
9 24 amended by striking the section and inserting in lieu thereof
9 25 the following:
9 26 633A.3112 DEFINITIONS == REVOCABLE TRUSTS.
9 27 As used in this subchapter:
9 28 1. "Charges" includes costs of administration, funeral
9 29 expenses, costs of monuments, and federal and state estate
9 30 taxes.
9 31 2. "Claimant" includes any interested party who possesses
9 32 any legal claim to trust property, the settlor's spouse, the
9 33 settlor's heirs as defined in section 633A.3109, and any other
9 34 person or entity with standing to challenge the trust, a
9 35 creditor of the settlor, and a personal representative of the
10 1 settlor's estate.
10 2 3. "Debts" includes liabilities of the settlor owed at
10 3 death that survive the settlor's death, whether arising in
10 4 contract, tort, or otherwise.

10 5 Sec. 13. Section 633A.4207, subsection 2, Code Supplement
10 6 2005, is amended to read as follows:
10 7 2. If the terms of the trust confer upon a person other
10 8 than the settlor of a revocable trust power to direct certain
10 9 actions of the trustee, the trustee shall act in accordance
10 10 with an exercise of the power unless the trustee knows the
10 11 attempted exercise violates the terms of the trust or the
10 12 trustee knows that the person holding the power is ~~incompetent~~
10 13 ~~not competent~~.

10 14 Sec. 14. Section 633A.4213, unnumbered paragraph 1, Code
10 15 Supplement 2005, is amended to read as follows:
10 16 A trustee of an irrevocable trust shall keep the qualified
10 17 beneficiaries of the trust reasonably informed about the
10 18 administration of the trust and the material facts necessary
10 19 to protect the beneficiaries' interests.

10 20 Sec. 15. Section 633A.4213, subsections 3 and 4, Code
10 21 Supplement 2005, are amended to read as follows:
10 22 3. ~~A Except as provided in subsection 4, a trustee of an~~
10 23 ~~irrevocable trust~~ shall provide annually to each adult
10 24 beneficiary and the representative of any minor or incompetent
10 25 beneficiary who may receive a distribution of income or
10 26 principal during the accounting time period, an accounting,
10 27 unless an accounting has been waived specifically for that
10 28 accounting time period.

10 29 4. ~~This section does not apply to any trust where the~~
10 30 ~~grantor If a settlor has retained the right, or has~~
10 31 ~~transferred the right, to change the beneficiaries of the~~
10 32 ~~trust or if a party is the holder of a presently exercisable~~
10 33 ~~general power of appointment, the trustee shall only be~~
10 34 ~~required to report to the settlor or the party.~~

10 35 Sec. 16. NEW SECTION. 633A.4707 PERSON CAUSING DEATH.
11 1 A person who intentionally and unjustifiably causes or
11 2 procures the death of another shall not receive any property,
11 3 benefit, or other interest as a beneficiary of a trust by
11 4 reason of such death. Any property, benefit, or other
11 5 interest that such person would have received because of such
11 6 death shall be distributed as if the person causing the death
11 7 died before the person whose death was intentionally and
11 8 unjustifiably caused or procured.

11 9 Sec. 17. Section 633A.6301, Code Supplement 2005, is
11 10 amended by adding the following new subsection:
11 11 NEW SUBSECTION. 5. A settlor shall not represent and bind
11 12 a beneficiary under this trust code with respect to the
11 13 termination or modification of a trust pursuant to section
11 14 633A.2202 or 633A.2203.

11 15 Sec. 18. APPLICABILITY DATES.
11 16 1. The section of this Act amending section 633A.3109
11 17 shall apply to trusts of settlors who die on or after July 1,
11 18 2006.
11 19 2. The sections of this Act amending section 633A.4213
11 20 shall apply to trust accounting periods ending on or after
11 21 July 1, 2006.
11 22 3. The section of this Act creating section 633A.4707
11 23 shall apply to property, benefit, or other trust interests
11 24 distributed on or after July 1, 2006.
11 25 4. The section of this Act amending section 633A.6301
11 26 shall apply to trust terminations or modifications completed
11 27 on or after July 1, 2006.

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